



0000030403

BEFORE THE ARIZONA CORPORATION COMMISSION

DOCKETED

AUG 06 2001

WILLIAM A. MUNDELL
CHAIRMANJIM IRVIN
COMMISSIONERMARC SPITZER
COMMISSIONER

DOCKETED BY

sd

IN THE MATTER OF THE APPLICATION OF
MAIN STREET TELEPHONE CO. FOR A
CERTIFICATE OF CONVENIENCE AND
NECESSITY TO PROVIDE COMPETITIVE
RESOLD INTRASTATE
TELECOMMUNICATIONS SERVICES, EXCEPT
LOCAL EXCHANGE SERVICE

DOCKET NO. T-03613A-98-0456

DECISION NO. 63907ORDER

Open Meeting
July 24 and 25, 2001
Phoenix, Arizona

BY THE COMMISSION:

DISCUSSION

Having considered the entire record herein and being fully advised in the premises, the Commission finds, concludes, and orders that:

FINDINGS OF FACT

1. On August 12, 1998, Main Street Telephone Co. ("Main Street" or "Applicant") filed with the Arizona Corporation Commission ("Commission") an application for a Certificate of Convenience and Necessity ("Certificate") to provide competitive resold interexchange telecommunications services, except local exchange services, within the State of Arizona.

2. In Decision No. 58926 (December 22, 1994), the Commission found that resold telecommunications providers ("resellers") were public service corporations subject to the jurisdiction of the Commission.

3. Applicant is a corporation domiciled in Delaware, authorized to do business in Arizona since December of 1997.

4. Applicant is a switchless reseller, which purchases telecommunications services from a variety of carriers.

5. On July 20 and 27, August 11, and September 18, 2000, Applicant filed Affidavits of

1 Publication indicating compliance with the Commission's notice requirements.

2 6. On May 16, 2001, the Commission's Utilities Division Staff ("Staff") filed its Staff
3 Report recommending approval of the application with some conditions.

4 7. In its Staff Report, Staff stated that Main Street provided financial statements for the
5 period ended December 31, 2000. These financial statements list assets of \$113,145, negative
6 retained earnings of (\$15,973), and a net loss of (\$35,079). Based on the foregoing, Staff believes
7 that Applicant lacks adequate financial resources to be allowed to charge customers any prepayments,
8 advances, or deposits without either establishing an escrow account or posting a surety bond to cover
9 such prepayments, advances, or deposits.

10 8. The Staff Report indicates that Main Street does not charge its customers for any
11 prepayments, advances or deposits. If at some future date, the Applicant wants to charge customers
12 any prepayments, advances or deposits, it must file information with the Commission that
13 demonstrates the Applicant's financial viability. Upon receipt of such filing, Staff will review the
14 information and forward its recommendation to the Commission. Additionally, Staff believes that if
15 the Applicant experiences financial difficulty, there should be minimal impact to its customers.
16 Customers are able to dial another reseller or facilities-based provider to switch to another company.

17 9. Staff recommended approval of the application subject to the following conditions,
18 that:

19 (a) The Applicant should be ordered to comply with all Commission rules, orders,
20 and other requirements relevant to the provision of intrastate telecommunications
21 service;

22 (b) The Applicant should be ordered to maintain its accounts and records as
23 required by the Commission;

24 (c) The Applicant should be ordered to file with the Commission all financial and
25 other reports that the Commission may require, and in a form and at such times as the
26 Commission may designate;

27 (d) The Applicant should be ordered to maintain on file with the Commission all
28 current tariffs and rates, and any service standards that the Commission may require;

(e) The Applicant should be ordered to comply with the Commission's rules and
modify its tariffs to conform to these rules if it is determined that there is a conflict

between the Applicant's tariffs and the Commission's rules;

(f) The Applicant should be ordered to cooperate with Commission investigations of customers complaints;

(g) The Applicant should be ordered to participate in and contribute to a universal service fund, as required by the Commission;

(h) The Applicant should be ordered to notify the Commission immediately upon changes to the Applicant's address or telephone number;

(i) The Applicant's intrastate interexchange service offerings should be classified as competitive;

(j) The Applicant's competitive services should be priced at the rates proposed by the Applicant in its most recently filed tariffs and should be approved on an interim basis. The maximum rates for these services should be the maximum rates proposed by the Applicant in its proposed tariffs. The minimum rates for the Applicant's competitive services should be the Applicant's total service long run incremental costs of providing those services; and

(k) In the event that the Applicant states only one rate in its proposed tariff for a competitive service, the rate stated should be the effective (actual) price to be charged for the service as well as the service's maximum rate.

10. Staff further recommended approval of Main Street's application subject to the following conditions:

(a) That the Applicant file conforming tariffs within 30 days of an Order in this matter, and in accordance with the Decision;

(b) That the Applicant file in this Docket, within 18 months of the date it first provides service following certification, sufficient information for Staff analysis and recommendation for a fair value finding, as well as for an analysis and recommendation for permanent tariff approval. This information must include, at a minimum, the following:

1. A dollar amount representing the total revenue for the first twelve months of telecommunications service provided to Arizona customers by United following certification, adjusted to reflect the maximum rates that the Applicant has requested in its tariff. This adjusted total revenue figure could be calculated as the number of units sold for all services offered times the maximum charge per unit;

2. The total actual operating expenses for the first twelve months of telecommunications service provided to Arizona customers by the Applicant following certification;

3. The value of all assets, listed by major category, including a description of the assets, used for the first twelve months of telecommunications services provided to Arizona customers by the Applicant following certification. Assets are not limited to plant and equipment. Items such as office equipment and office supplies should be included in this list; and

(c) Applicant's failure to meet the condition to timely file sufficient information for a fair value finding and analysis and recommendation of permanent tariffs shall result in the expiration of the Certificate of Convenience and Necessity and of the tariffs.

11. The Staff Report also stated that Applicant has no market power and the reasonableness of its rates would be evaluated in a market with numerous competitors.

12. No exceptions were filed to the Staff Report, nor did any party request that a hearing be set.

13. On August 29, 2000, the Arizona Court issued its Opinion in US WEST Communications, Inc. v. Arizona Corporation Commission, 1 CA-CV 98-0672, holding that "the Arizona Constitution requires the Commission to determine fair value rate bases for all public service corporations in Arizona prior to setting their rates and charges."

14. On October 26, 2000, the Commission filed a Petition for Review to the Supreme Court.

15. On February 16, 2001, the Commission's Petition was granted.

CONCLUSIONS OF LAW

1. Applicant is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-281 and 40-282.

2. The Commission has jurisdiction over Applicant and the subject matter of the application.

3. Notice of the application was given in accordance with the law.

4. Applicant's provision of resold interexchange telecommunications services is in the public interest.

5. Applicant is a fit and proper entity to receive a Certificate for providing competitive resold interexchange telecommunications services in Arizona.

6. Staff's recommendations in Findings of Fact Nos. 8, 9 and 10 are reasonable and

1 should be adopted.

2 **ORDER**

3 IT IS THEREFORE ORDERED that the application of Main Street Telephone Co. for a
4 Certificate of Convenience and Necessity for authority to provide competitive resold interexchange
5 telecommunications services, except local exchange services, is hereby granted, except that Main
6 Street Telephone Co. shall not be authorized to charge customers any prepayments, advances, or
7 deposits. In the future, if Main Street Telephone Co. desires to initiate such charges, it must file
8 information with the Commission that demonstrates Main Street Telephone Co.'s financial viability.
9 Staff shall review the information provided and file its recommendation concerning the Applicant's
10 financial viability and/or the necessity of obtaining a surety bond within thirty (30) days of receipt of
11 the financial information, for Commission approval.

12 IT IS FURTHER ORDERED that Main Street Telephone Co. shall file the following fair
13 value rate base ("FVRB") information within 18 months of the date that it first provides service. The
14 FVRB shall include a dollar amount representing the total revenue for the first twelve months of
15 telecommunications service provided to Arizona customers by Main Street Telephone Co. following
16 certification, adjusted to reflect the maximum rates Main Street Telephone Co. requests in its tariff.
17 This adjusted total revenue figure could be calculated as the number of units sold for all services
18 offered times the maximum charge per unit. Main Street Telephone Co. shall also file FVRB
19 information detailing the total actual operating expenses for the first twelve months of
20 telecommunications service provided to Arizona customers by Main Street Telephone Co. following
21 certification. Main Street Telephone Co. shall also file FVRB information which includes a
22 description and value of all assets, including plant, equipment, and office supplies, to be used to
23 provide telecommunications service to Arizona customers for the first twelve months following Main
24 Street Telephone Co.'s certification.

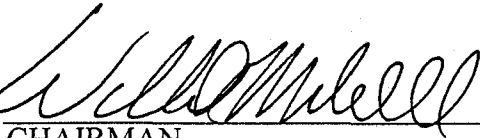
25 IT IS FURTHER ORDERED that Main Street Telephone Co. shall comply with Staff's
26 recommendations as set forth in Findings of Fact Nos. 8, 9 and 10.

27 IT IS FURTHER ORDERED that within 30 days of the effective date of this Decision, Main
28 Street Telephone Co. shall notify the Compliance Section of the Arizona Corporation Commission of

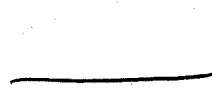
the date that it will begin or has begun providing service to Arizona customers.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

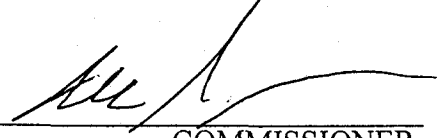
BY ORDER OF THE ARIZONA CORPORATION COMMISSION.



CHAIRMAN

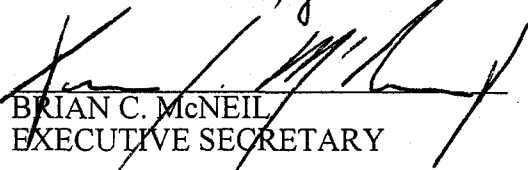


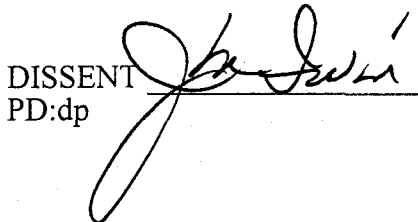
COMMISSIONER



COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 15th day of August, 2001.


BRIAN C. McNEIL
EXECUTIVE SECRETARY

DISSENT 
PD:dp

SERVICE LIST FOR:

MAIN STREET TELEPHONE CO.

DOCKET NO.:

T-03613A-98-0456

Patrick D. Crocker
EARLY, LENNON, PETERS & CROCKER, P.L.C.
900 Comerica Building
Kalamazoo, Michigan 49007-4752

Christopher Kempley, Chief Counsel
Legal Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

Deborah Scott, Director
Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007